

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 /089 W
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R 090551Z MAR 76

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 7676

INFO AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

AMCONSUL SYDNEY BY POUCH

AMCONSUL MELBOURNE BY POUCH

AMCONSUL PERTH BY POUCH

AMCONSUL BRISBANE BY POUCH

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EO 11652: NA

TAGS: EGEN, ENRG, JA, AS

SUBJ: JAPAN VISIT OF MINISTER FOR RESOURCES AND TRADE,
DOUG ANTHONY: MINERALS AND ENERGY IMPLICATIONS

1. SUMMARY: DEPT OF NATIONAL RESOURCES MEDIA RELEASE
(POUCHED TO EA/ANP ON 2-27), SUMMARIZED ANTHONY' DISCUS-
SIONS WITH JAPANESE IN TOKYO FEB. 5-13. ANTHONY'S THEME
FOR DISCUSSIONS WAS AUSTRALIA COULD BE RELIED UPON AS LONG-
TERM SUPPLIER OF RAW MATERIALS TO JAPANESE IF JAPAN COULD
PROMISE STABLE MARKET. ANTHONY ALSO INTERESTED IN OBTAINING
INFORMATION CONCERNING JAPAN'S POLICIES TO MEET FUTURE
RESOURCE REQUIREMENTS (E.G., COAL, IRON ORE, URANIUM,
AND NATURAL GAS).

2. APPARENTLY UNRESOLVED ISSUE IS WHETHER OR NOT JAPANESE
STEEL INDUSTRY WILL MEET SHORT-RUN CONTRACTUAL OBLIGATIONS
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TO PURCHASE AUSTRALIAN COKING COAL. ANTHONY SAID JAPANESE

ASSURED HIM COAL CONTRACTS WILL BE MET; THIS ASSERTION DENIED BY JAPANESE INDUSTRY SPOKESMAN.

3. JAPANESE STEEL MILLS DEMANDED PRICE CUTS FOR AUSTRALIAN COKING COAL. ANTHONY HAS NOT RESPONDED TO THIS REQUEST OTHER THAN TO SAY THAT PRICE NEGOTIATIONS ARE A MATTER BETWEEN BUYER AND SELLER. U.S. PRICE CUT FOR COAL EXPORTED TO JAPAN WILL AFFECT FUTURE PRICE NEGOTIATIONS BETWEEN JAPANESE AND AUSTRALIAN COMPANIES. GOA MAY HAVE TO REDUCE OR ELIMINATE COAL EXPORT TAX IF COAL PRICES DECLINE, EVEN THOUGH ANTHONY HAS SAID COAL TAX WILL NOT BE ELIMATED.

4. GOA, ACCORDING TO PRESS, HAS INITIATED THE FORMATION OF AUSTRALIAN COAL EXPORTERS' ASSOCIATION (ACEA) TO COMBAT JAPANESE STEEL INDUSTRY MOVES TO SEEK PRICE REDUCTION FOR COKING COAL. IT IS REPORTED GOA DOES NOT WISH TO BE IDENTIFIED WITH THE ACEA, WHICH WILL ASSUME RESPONSIBILITY FOR AUSTRALIA'S COAL PRICING STRATEGIES.

5. NEW GOA-GOJ ECONOMIC RELATIONSHIPS WILL BE PART OF TREATY OF FRIENDSHIP AND COOPERATION, WHICH ANTHONY EXPECTS WILL BE SIGNED LATER 1976. NEW TREATY REPLACES DEFUNCT NIPPON-AUSTRALIA RELATIONS AGREEMENT (NARA). END SUMMARY.

6. COAL: BOTH GOA AND GOJ ARE ANXIOUS TO DEVELOP NEW QUEENSLAND COKING COAL PROJECTS AT NEBO, HAIL CREEK, NORWICH PARK, AND STEAMING COAL PROJECT AT BLAIR ATHOL. ANTHONY STATED PROJECTS WOULD NOT PROCEED UNTIL GOA EQUITY REQUIREMENTS IN PROJECTS WERE MET AND COAL MARKET DEMONSTRATED.

7. SINCE ANTHONY'S RETURN FROM JAPAN, HAIL CREEK HAS BEEN GIVEN GO AHEAD. PRODUCTION AT HAILCREEK LIKELY TO BEGIN IN 2-4 YEARS. CONZINC RIOTINTO AUSTRALIA (CRA) WILL DEVELOP DEPOSIT WITH UNDERSTANDING CRA WILL MAKE EFFORT TO ATTRACT 60 PERCENT AUSTRALIAN EQUITY TO PROJECT. CRA IS PART OF CONSORTIUM, HAIL CREED ASSOCIATES, AND AUSTRALIAN EQUITY IN OPERATION IS CURRENTLY 53 PERCENT. EQUITY IN HAIL CREED ASSOCIATES IS THUS: ASSOCIATED AUSTRALIAN RESOURCES (68 034:3,5), SUMITOMO (5 PERCENT), AND NOT ALLOTTED (5 PERCENT). CRA HAS EQUITY IN ASSOCIATED AUSTRALIAN RESOURCES AND IOL. LIMITED OFFICIAL USE

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9. ANTHONY WANTS 50 PERCENT AUSTRALIAN PARTICIPATION IN NEBO, NORWICH PARK, AND BLAIR ATHOL. NEBO IS PROPERTY OF THEISS PEABODY MITSUI COAL PTY. LTD. WITH EQUITY DISTRIBUTION OF THEISS (22 PERCENT), PABODY (US)(58 PERCENT), AND MITSUI (20 PERCENT) NORWICH PARK IS PROPERTY OF CENTRAL QUEENSLAND COAL ASSOCIATES, IN WHICH UTAH DEVELOPMENT CO. (US), HAS 85 PERCENT EQUITY AND MITSUBISHI 15 PERCENT. BLAIR

ATHOL IS CONTROLLED BY BLAIR ATHOL COAL PTY LTD. EQUITY IN OPERATIONS IS CRA (57 PERCENT), CLUTHA DEVELOPMENT PTY LTD (US) (38 PERCENT), AND MINES ADMINISTRATION PTY. (5 PERCENT).

10. COMPANIES IN NEBO, NORWICH PARK, AND BLAIR ATHOL PROJECTS WILL REQUIRE EQUITY ADJUSTMENTS TO SATISFY GOA REQUIREMENTS FOR AT LEAST 50 PERCENT AUSTRALIAN EQUITY IN PROJECTS. EQUITY REDISTRIBUTION IS CURRENTLY BEING STUDIED BY COMPANIES INVOLVED IN THE ABOVE PROJECTS AND COMPANIES WILL REPORT ON EFFORTS TO ACQUIRE MORE AUSTRALIAN EQUITY.

11. EVEN THOUGH GOA HAS EXPRESSED ITS OBJECTIVES RELATIVE TO AUSTRALIAN PARTICIPATION IN INDUSTRIAL PROJECTS, A REALISTIC ASSESSMENT OF THE POSSIBILITY OF MEETING OBJECTIVES, IN FACE OF CAPITAL SHORTAGES IN AUSTRALIA, PRECLUDES INCREASED AUSTRALIAN EQUITY IN MANY PROJECTS. IF DEVELOPERS ATTEMPT BUT FAIL TO MEET THE EQUITY REQUIREMENT, GOA WILL LIKELY APPROVE THE PROJECT; AFOREMENTIONED HAS NOT BEEN PUBLICLY STATED, BUT SENTIMENT IS PRESENT AMONG GOA AND INDUSTRY OFFICIALS.

12. IT IS NOT CLEAR AT THIS TIME IF JAPANESE INDUSTRY WILL PREVAIL IN EFFORTS TO REDUCE JAPANESE IMPORTS OF AUSTRALIAN COAL EVEN THOUGH THE JAPANESE HAVE CONTRACTUAL COMMITMENTS TO PURCHASE CERTAIN QUANTITIES OF COAL. ANTHONY SAID HE WAS ASSURED BY JAPANESE THAT THEY WOULD MEET CONTRACTUAL OBLIGATIONS. ACCORDING TO THE AUSTRALIAN FINANCIAL REVIEW (2-18-76) TANABE, SENIOR MANAGING DIRECTOR OF NIPPON STEEL, DENIED HE PROMISED ANTHONY NO CUTBACKS IN IRON ORE AND COAL IMPORTS. IT WAS REPORTED TANABE SAID JAPANESE STEEL MILLS WILL NOT ACCEPT MORE THAN 73 PERCENT OF CONTRACT VOLUME DURING FISCAL YEAR 1976.

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INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 /089 W

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R 090551Z MAR 76
FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC 7677
INFO AMEMBASSY TOKYO
AMEMBASSY WELLINGTON
AMCONSUL SYDNEY BY POUCH
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13. JAPANESE AND AUSTRALIAN INDUSTRY REPRESENTATIVES WILL MEET IN TOKYO SHORTLY TO DISCUSS AUSTRALIAN COAL AND IRON ORE EXPORTS TO JAPAN. HOPEFULLY, ISSUE WILL BE RESOLVED AS TO HOW MUCH AND AT WHAT PRICE COAL AND IRON ORE WILL BE TRADED. PUBLICLY NEITHER PARTY IS PREPARED TO BACK OFF, BUT SOME ACCOMMODATION WILL OBVIOUSLY TAKE PLACE.

14. IRON ORE: ANTHONY PRESSED FOR INCREASED IRON ORE EXPORTS TO JAPAN TO A LEVEL WHERE 55 PERCENT OF JAPANESE REQUIREMENTS COME FROM AUSTRALIA INSTEAD OF THE CURRENT 48 PERCENT. ANTHONY'S OPTIMISM FOR INCREASED IRON ORE SALES TO JAPAN IS REPORTEDLY NOT SHARED BY JAPANESE INDUSTRY. IN FACT, JAPAN APPARENTLY WANTS TO CUT BACK ON IRON ORE IMPORTS.

15. URANIUM: ANTHONY AND JAPANESE AGREED ORDERLY
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DEVELOPMENT AND MARKETING OF URANIUM WAS IN MUTUAL INTERESTS OF BOTH PRODUCING AND CONSUMING COUNTRIES. THEORETICALLY, ANTHONY FACES DILEMMA. ANTHONY TOLD JAPANESE AUSTRALIAN URANIUM WILL BE AVAILABLE; THEN STATED MINING CAN NOT PROCEED UNTIL FINDINGS OF RANGER INQUIRY ANNOUNCED. THE RANGER INQUIRY IS NOT LIKELY TO RULE AGAINST URANIUM MINING. INSTEAD, THE INQUIRY WILL PROBABLY PERMIT MINING SUBJECT TO REGULATIONS DESIGNED TO MINIMIZE ENVIRONMENTAL DAMAGE. GOA HAS REQUESTED INQUIRY CHAIRMAN, JUSTICE FIX TO COMPLETE THE PROCEEDINGS BY JUNE 30.

16. CONFIDENTIAL MEETING BETWEEN GOA AND URANIUM COMPANIES DECIDED RANGER PROJECT IN NORTHERN TERRITORY WOULD PROCEED FIRST UPON CONCLUSION OF RANGER INQUIRY. THIS FACT WAS LEAKED TO THE PRESS, THUS PROVIDING FURTHER EVIDENCE THAT URANIUM MINING IS GETTING READY

TO PROCEED. ORDER OF DEVELOPMENT AFTER RANGER HAS NOT BEEN REVEALED AT THIS TIME. MARY KATHLEEN IS READY TO PRODUCE SUBJECT TO GOA PERMISSION. AUSTRALIAN PRESS, THE AGE, REPORTED MARCH 6, THAT WESTERN MINING WAS PROCEEDING WITH DEVELOPMENT OF YEELIRRIE URANIUM DEPOSIT IN WESTERN AUSTRALIA. WESTERN MINING HAS REQUESTED GOA TO APPROVE SALES CONTRACTS.

17. ANTHONY CONFIRMED AUSTRALIA WILL HONOR CONTRACTS APPROVED PRIOR TO DEC. 2, 1972, SUBJECT TO SATISFACTORY COMMERCIAL RENEGOTIATIONS BETWEEN JAPANESE UTILITIES AND AUSTRALIAN MINING COMPANIES. EXISTING CONTRACTS CALL FOR AUSTRALIA TO DELIVER 9,040 TONNES OF URANIUM TO JAPAN. GOA STOCKPILE OF 2,000 TONNES OF YELLOWCAKE WILL BE USED TO MEET PART OF CONTRACTUAL COMMITMENTS. PRODUCTION FROM MARY KATHLEEN WILL SATISFY EXISTING CONTRACTS, SOME OF WHICH ARE WITH JAPANESE.

18. J.T. LARKIN, FIRST ASSISTANT SECRETARY, URANIUM AND ELECTRICITY DIVISION, DEPT. OF NATIONAL RESOURCES, INFORMED EMBOFF THAT IN THE SHORT RUN, IF CONTRACT COMMITMENTS FOR URANIUM CANNOT BE MET, URANIUM MAY BE OBTAINED FROM FOREIGN SOURCES TO MEET SHORTFALL. IF FOREIGN URANIUM OBTAINED, PAYMENT MAY BE IN CASH OR IN KIND WHEN AUSTRALIAN LIMITED OFFICIAL USE

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URANIUM COMES ON LINE.

19. JAPAN AND AUSTRALIA AGREED IN NOV. 1974 TO A JOINT URANIUM ENRICHMENT STUDY. INTENTION TO PROCEED WITH STUDY WAS ANNOUNCED BY GOA DOES NOT FEEL UNDER ANY PRESSURE TO PROCEED RAPIDLY WITH THIS STUDY. AT THIS TIME, GOA IS CONTENT TO EXPORT YELLOWCAKE.

20. NATURAL GAS: ANTHONY TOLD JAPANESE THAT AUSTRALIA LOOKS TO THEM FOR MARKET FOR FUTURE LNG EXPORTS FROM NORTH-WEST SHELF. ANTHONY STATED JAPANESE EQUITY IN NORTH-WEST SHELF WOULD BE VIEWED FAVORABLY SHOULD INCREASED FOREIGN EQUITY IN THE PROJECT BE REQUIRED. WITH THE SHORTAGE OF AUSTRALIAN CAPITAL, IT IS OBVIOUS THAT SUBSTANTIAL FOREIGN EQUITY WILL BE REQUIRED TO GET THE NORTH-WEST SHELF PROJECT GOING.

21. GOA OPTIMISM FOR RAPID DEVELOPMENT OF PROJECT IS TEMPERED BY INDUSTRY STATEMENTS THAT MORE GOA DEVELOPMENTAL AND INVESTMENT GUIDELINES ARE REQUIRED, ALONG WITH MUCH PLANNING AND INCREASED CAPITAL, BEFORE PROJECT CAN PROCEED. LNG FROM NORTH-WEST SHELF IS AT LEAST 5-7 YEARS AWAY IF ALL GOES RIGHT.

22. COMMENT: ANTHONY'S VISIT TO JAPAN LEFT MANY QUESTIONS UNANSWERED. JAPANESE PRESSURE WILL FORCE GOA TO MAKE DECISIONS IMPLEMENTING CERTAIN ASPECTS OF GOA MINERALS AND ENERGY POLICY. SPECIFIC ISSUES MUST BE DEALT WITH SOON, INCLUDING COAL SALES AND PRICING, URANIUM MINING, AND INVESTMENT POLICY. GOA HAS PROMISED DEFINITIVE STATEMENT ON URANIUM POLICY, BUT WILL LIKELY WAIT UNTIL CONCLUSION OF RANGER INQUIRY. THE REPORTED FORMATION OF AUSTRALIAN COAL PRODUCERS' CARTEL DEMONSTRATES A DESIRE BY GOA AND INDUSTRY TO PROVIDE A UNITED FRONT IN NEGOTIATING WITH JAPANESE ON RESOURCE MATTERS. GOA HAS PROMISED PUBLICATION OF INVESTMENT GUIDELINES, BUT THEY HAVE YET TO APPEAR. MINING AND ENERGY CIRCLES ARE IMPATIENTLY AWAITING DECISIONS BY THE GOA WHICH WILL PERMIT INCREASED ACTIVITY IN THE MINERALS AND ENERGY FIELD.

HARGROVE

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Message Attributes

Automatic Decaptioning: X
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Control Number: n/a
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Draft Date: 09 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Reference: n/a
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